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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

vs.

PLUS MONEY, INC. and MATTHEW LA
MADRID,

Defendants,

THE PREMIUM RETURN FUND
LIMITED-LIABILITY LIMITED
PARTNERSHIP; THE PREMIUM RETURN
FUND II LIMITED-LIABILITY LIMITED
PARTNERSHIP; THE PREMIUM RETURN
FUND III LIMITED-LIABILITY LIMITED
PARTNERSHIP; RETURN FUND, LLC;
RETURN FUND II, LLC; RETURN FUND
III, LLC; RETURN FUND IV, LLC;
RETURN FUND V, LLC; RETURN FUND
VI, LLC; PALLADIUM HOLDING
COMPANY; and DONALD LOPEZ,

Relief Defendants.

Case No.

08 CV 0764 H NLS
**COMPLAINT FOR VIOLATIONS OF
THE FEDERAL SECURITIES LAWS**

1 Plaintiff Securities and Exchange Commission ("Commission") alleges as follows:

2 **JURISDICTION AND VENUE**

3 1. The Court has jurisdiction over this action pursuant to Sections 209(d), 209(e)(1)
4 and 214 of the Investment Advisers Act of 1940 ("Advisers Act"), 15 U.S.C. §§ 80b-9(d), 80b-
5 9(e)(1) and 80b-14.

6 2. Venue is proper in this Court pursuant to Section 214 of the Advisers Act [15
7 U.S.C. § 80b-14].

8 3. The acts, practices, and courses of business constituting the violations alleged
9 herein occurred within the jurisdiction of the United States District Court for the Southern
10 District of California and elsewhere.

11 4. The Defendants, directly and indirectly, have made, and are making, use of the
12 means and instrumentalities of interstate commerce and of the mails or of the facilities of a
13 national exchange in connection with the acts, practices, and courses of business alleged herein
14 in the Southern District of California and elsewhere.

15 **SUMMARY**

16 5. This matter involves an investment adviser fraud perpetrated by defendants
17 Matthew "Beau" La Madrid and Plus Money, Inc., an entity controlled by La Madrid. Since
18 May 2004, Plus Money has acted as the investment adviser to three purported hedge funds (the
19 "Premium Return Funds" or the "Funds"). Between May 2004 and July 2007, the Premium
20 Return Funds raised approximately \$30.6 million from at least 300 investors. La Madrid, a
21 former registered representative of a broker-dealer, told investors that he had a lucrative
22 investment strategy involving the purchase and sale of covered call options. Although Plus
23 Money and La Madrid employed some variation of a covered call-option trading strategy for a
24 period of time, and although Plus Money and La Madrid paid purported monthly profits to Fund
25 investors for a period of time even after all trading activity had ceased, it is unclear how much
26 profit, if any, Plus Money and La Madrid actually generated from this strategy.

27 6. Unbeknownst to the investors, trading activity in the Premium Return Funds'
28 brokerage accounts essentially ceased in the Fall of 2007 and La Madrid dissipated the money

1 held in those accounts through a series of illicit transfers.

2 7. Between September and October 2007, without telling the investors, Plus Money
3 and La Madrid wired \$7.6 million from the Premium Return Funds' brokerage accounts to
4 Vision Quest Investments, a dba La Madrid formed in September 2007. On November 14, 2007,
5 Vision Quest wired \$10 million to relief defendant Palladium Holding Company, an entity
6 controlled by relief defendant Donald Lopez. Soon after receiving these funds, Palladium
7 transferred \$5 million to a brokerage account it controlled, and began executing numerous short-
8 sell transactions of Treasury bonds. This rampant trading activity has caused a steady dissipation
9 of the assets in Palladium's brokerage account. As of April 25, 2008, only \$2.425 million
10 remained available in the account, and at least \$875,000 had been wired from Palladium's
11 brokerage account to its bank account.

12 8. Palladium dispersed the remainder of the funds received from Vision Quest in a
13 variety of ways, wiring approximately \$4.5 million to various individuals and entities, including
14 \$500,000 to La Madrid, \$1.8 million to several real estate title companies, \$95,000 towards the
15 purchase of two automobiles, and another \$90,000 to a Denver car dealership.

16 THE DEFENDANTS

17 9. Plus Money, Inc. is a Nevada corporation based in El Cajon, California. Since
18 2004 Plus Money was the investment adviser to and managed the Premium Return Funds. Plus
19 Money is not registered as an investment adviser under the Advisers Act.

20 10. Matthew La Madrid, age 41, is a resident of Jamul, California. La Madrid is the
21 President and Treasurer of Plus Money. La Madrid controls Plus Money and has acted as the
22 investment adviser for the Premium Return Funds, including making all of the investment
23 decisions on behalf of the Premium Return Funds. La Madrid is not registered as an investment
24 adviser under the Advisers Act.

25 THE RELIEF DEFENDANTS

26 11. The Premium Return Fund Limited-Liability Limited Partnership is a
27 Nevada based limited partnership formed in August 2004. Its general partner is Plus Money, Inc.
28 From November 2004 through at least July 2007, this partnership raised at least \$6.2 million